



ALASKA

NORTH TO OPPORTUNITY

ALASKA'S QUARTERLY ECONOMIC REPORT

FIRST QUARTER, 2018

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State of Alaska

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INTRODUCTION

The State of Alaska Department of Commerce, Community and Economic Development's Division of Economic Development (DED) compiles this quarterly report to assist in the assessment of Alaska's economic health and business climate.

Legacy economic trends like energy prices and overall cost of living are examined alongside emerging rural and urban trends, allowing for a comprehensive assessment of Alaska's regional economic landscape. The data used in the Quarterly Economic Report is statistical information from state, federal, and private sector resources combined with anecdotal information collected from regional economic development and community organizations throughout the state. The combination of this data allows for a unique, realistic look at the economic drivers of Alaska's economy from a statewide and regional perspective.

KEY FINDINGS

Commodity Prices: After all rising \$5-6/barrel in January, all oil prices tracked in this report fell slightly to end the quarter marginally higher than the end of 2017 Q4. The Japan LNG import price rose to end Q1 at \$9.10/ million British thermal units (MMBtu), a level not seen since late 2015, while the Henry Hub spot price was down slightly after a spike in January. The average price of U.S. coal rose slightly, continuing the price rise the commodity has been experiencing since fall 2016. Metals prices tracked in this report had a mixed quarter. Zinc prices spiked upward in February, only to fall back in line to end the quarter. Copper and silver prices were down slightly, while gold prices ended the quarter slightly higher. Salmon prices for the beginning of 2018 are not yet available.

Consumer Prices: Grocery prices were available for six communities in the first quarter of 2018. The commodities in the price basket are one gallon of milk, one dozen eggs, a loaf of white bread, and a one gallon of gasoline. The average total for these commodities in the communities surveyed was \$12.32.

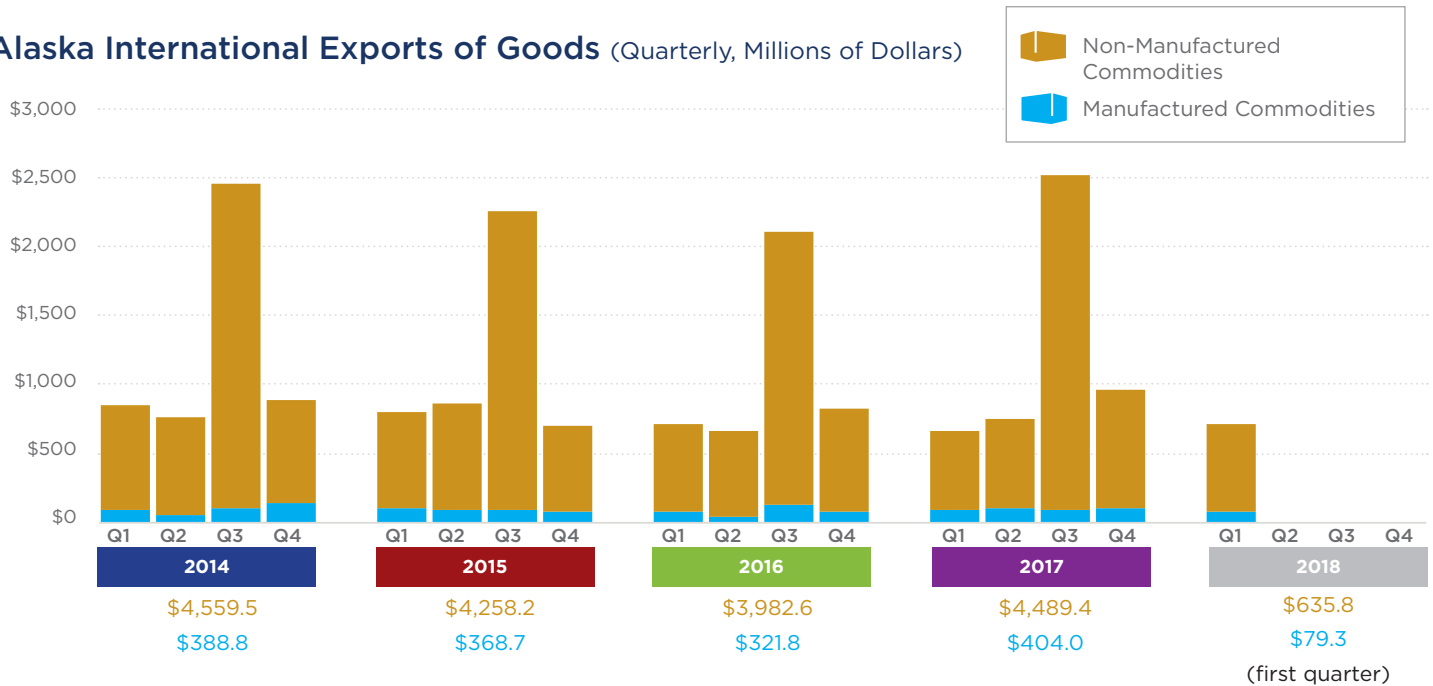
Employment: March was the 30th consecutive month of job losses in Alaska, with the unemployment rate reaching 7.3 percent in the first quarter of 2018. Nationally, the unemployment rate was 4.1 percent. Alaska has the highest unemployment rate of any state and the gap between the state and national rates continues to grow.

Freight and Cargo Transportation: Outgoing maritime cargo was up slightly the first quarter, while incoming maritime cargo continues to hold steady. The Anchorage and Fairbanks airports had another record setting quarter, with more than 600,000 metric tons of cargo passing through the two airports. The Alaska Railroad saw freight tonnage decline, although increasing winter passenger numbers were a bright spot for the Railroad.

EXPORT AND IMPORT VALUES

Exports in the first quarter of 2018 totaled \$715.2 million with nearly 89 percent of that total consisting of non-manufactured commodities. Seafood products and lead and zinc ores were the largest categories of exports in the first three months of the year.

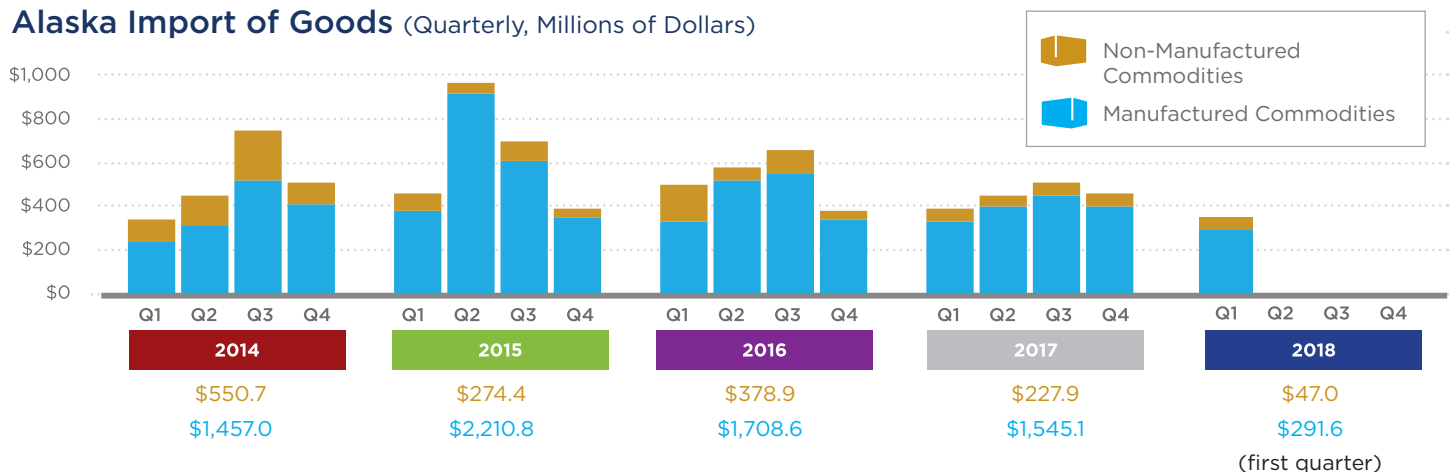
Alaska International Exports of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

International imports to Alaska have been on a downward trend and the first quarter of 2018 was no exception. The first quarter total of \$338.6 million was lower than the five year average – \$399.3 million – for the same quarter. Manufactured commodities make up more than 85 percent of international imports, most of which are machinery and industrial equipment.

Alaska Import of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

CARGO TRAFFIC

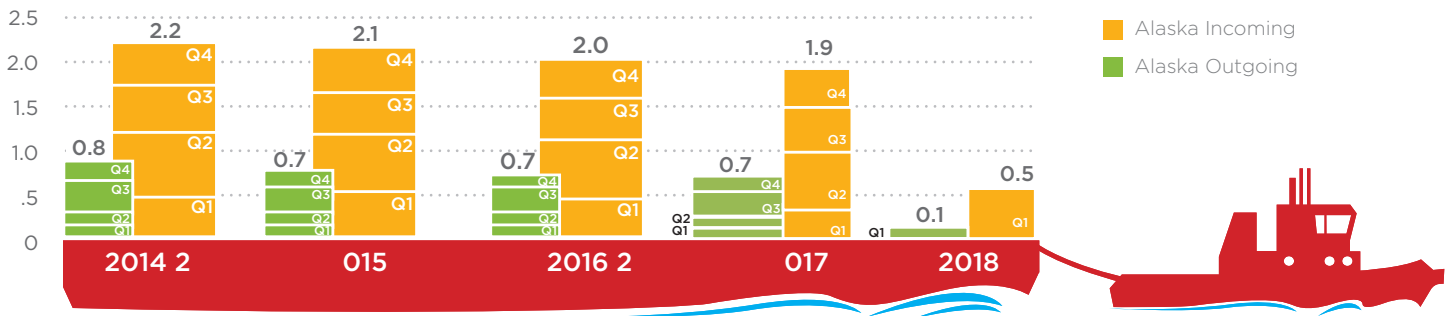
Nearly all cargo comes into the state via maritime shipping with smaller volumes arriving via air cargo and by truck over the Alaska-Canada (AlCan) Highway.

Maritime Cargo

Alaska maritime cargo trends can be tracked by looking at the outbound and inbound tonnage at the two major ports serving Alaska: Seattle and Tacoma, Washington. Incoming maritime cargo has been on a downward trend over the last four years, while outgoing cargo has held relatively steady. In the first quarter of 2018 these trends continued. Almost 130,000 tons of cargo left the state, slightly higher than the five-year first quarter average of 117,000 tons. Meanwhile, 457,000 tons of cargo arrived from Seattle and Tacoma, slightly lower than the five-year first quarter average of 458,000 tons.

Alaska Tonnage (Ports of Seattle and Tacoma)

(Millions of metric tons)



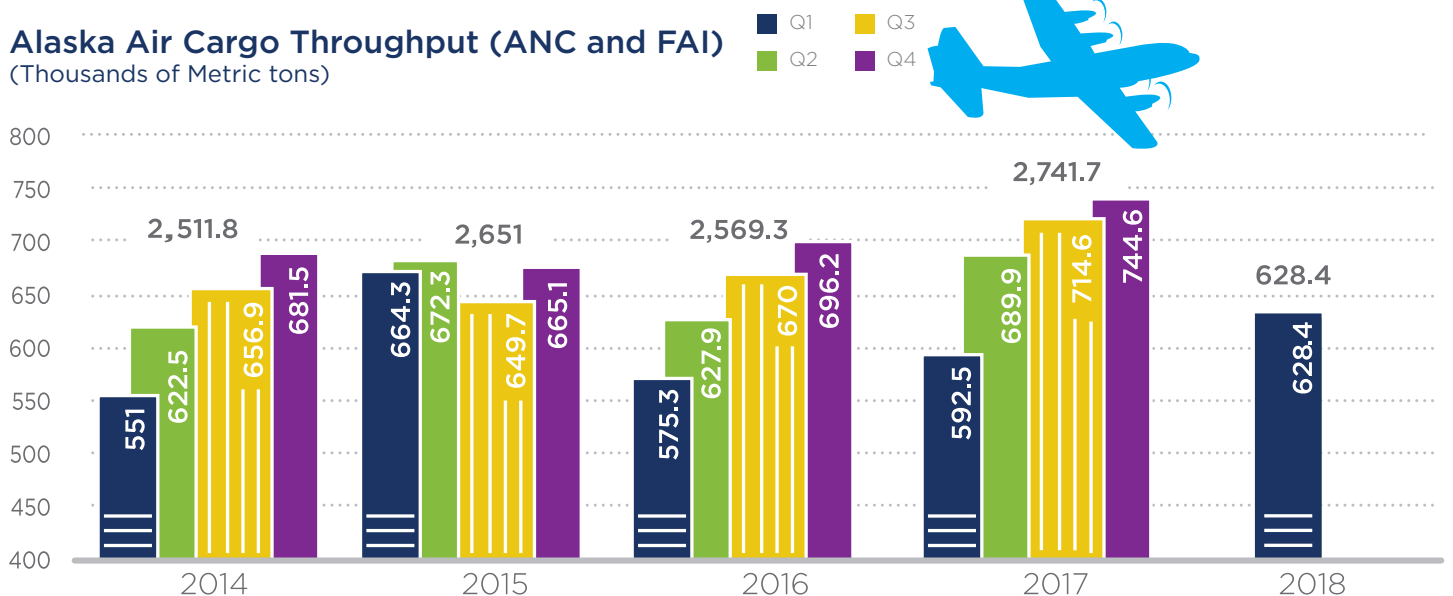
Source: Northwest Seaport Alliance

Alaska Air Cargo Throughput

Alaska's airports are a major component of the state's transportation system; air cargo throughput in Anchorage and Fairbanks are an effective measure of that activity. Cargo throughput at the two airports continued to set records in the first quarter of 2018. The first quarter saw 628,445 metric tons of cargo pass through the two airports, the highest first quarter total yet.

Alaska Air Cargo Throughput (ANC and FAI)

(Thousands of Metric tons)

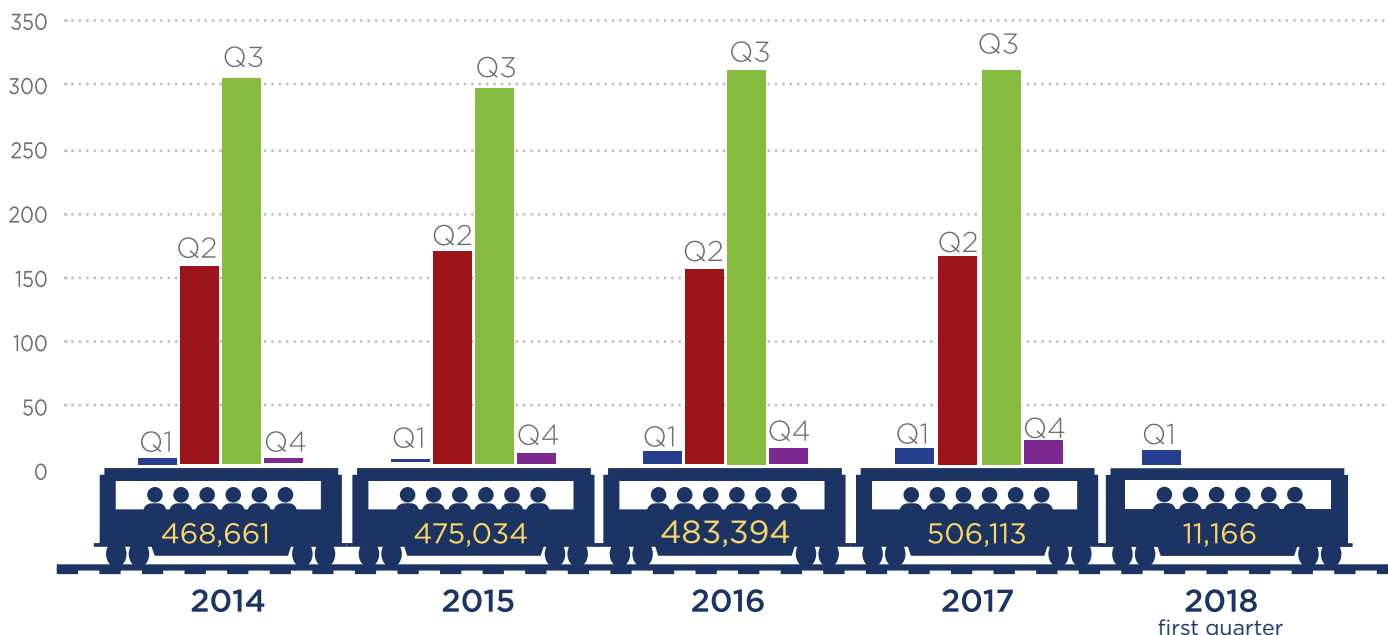


Source: Alaska Department of Transportation & Public Facilities

ALASKA RAILROAD STATISTICS

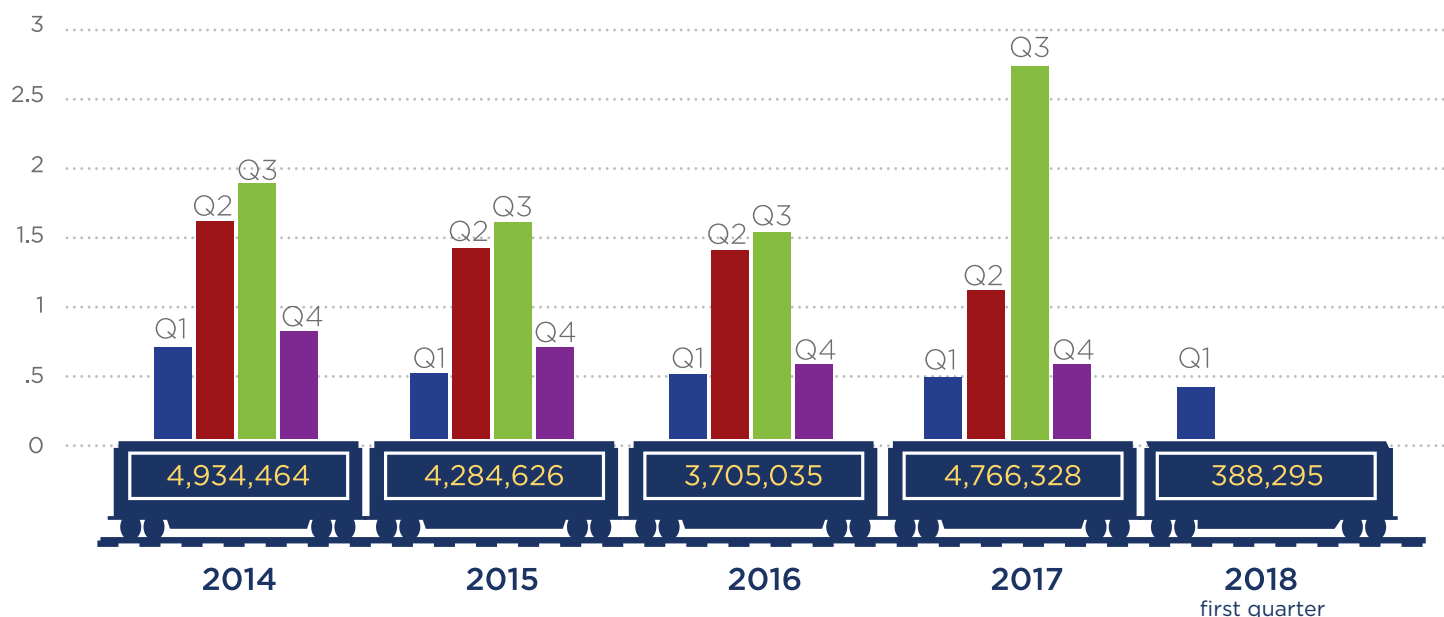
Winter passenger service continues to row steadily. While winter numbers are a small fraction of the passenger volume seen during the summer visitor season, there has been a steady increase. The first quarter of 2018 saw more than 11,000 passengers riding the Alaska Railroad, which is more than double the number during the same time just five years ago. Freight tonnage in the first quarter declined for the fifth year in a row. Declining freight has contributed to loss of revenue in recent years. This year, the Legislature passed a bill making it easier for the Alaska Railroad Corporation to generate revenue from the land that it owns, only half of which is used for operations.

Alaska Railroad Passenger Volume (Thousands of passengers)



Source: Alaska Railroad Corporation

Alaska Railroad Freight Tonnage (Millions of tons)



Source: Alaska Railroad Corporation

ALCAN BORDER CROSSINGS - FREIGHT VEHICLES

The number of freight vehicles crossing the AICan border, which shifts seasonally, provide another measure of Alaska’s transportation activity. The first quarter’s total of 1,333 truck crossings was higher than the same quarter last year, but lower than the five year average of 1,451.

Truck Crossings
(Number of Vehicles)



Source: Port of AICan, Office of Field Operations

COMMODITY PRICES

Natural Gas Price



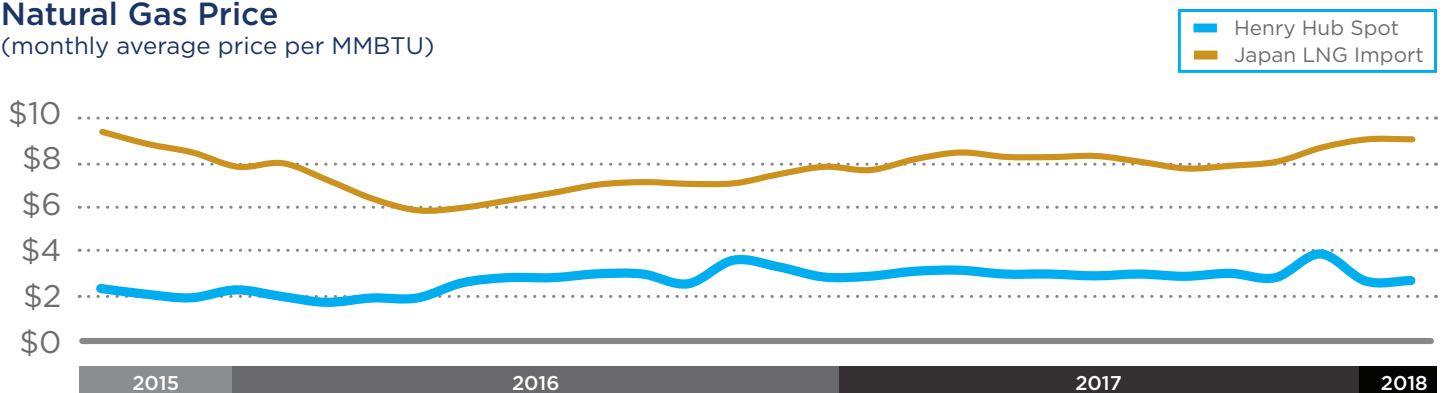
According to YCharts, the Japan liquefied natural gas (LNG) import price increased to \$9.10 per million British thermal units (MMBtu) in March, up from \$8.08/MMBtu in December 2017. According to the EIA, the Henry Hub spot price returned to more moderate levels seen during 2017 after first spiking to \$3.87/MMBtu in January. The EIA April STEO expects Henry Hub natural gas spot prices to average \$2.99/MMBtu in 2018 and \$3.07/MMBtu in 2019.

According to the EIA, record production nearly offset rising exports of natural gas and above-average consumption to help keep Henry Hub prices in a narrow range in March 2018. The Henry Hub natural gas spot price averaged \$2.69/MMBtu in March, up 3 cents/MMBtu from February. Estimated U.S. natural gas production in March rose to 79.2 billion cubic feet per day (Bcf/d), 8.4 Bcf/d higher than the previous five-year average.

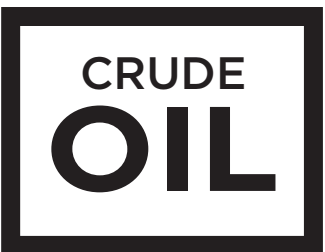
Growing U.S. natural gas production is expected to support both growing domestic consumption and natural gas exports in the forecast. EIA forecasts U.S. consumption of natural gas to increase by 4.2 Bcf/d (5.7 percent) in 2018, with electric power generation the leading contributor to this increase. EIA also expects net natural gas exports to increase from 0.4 Bcf/d in 2017 to an annual average of 2.2 Bcf/d in 2018 and 4.4 Bcf/d in 2019.

Natural Gas Price

(monthly average price per MMBTU)



Sources: U.S. Energy Information Administration and YCharts



Oil Price

All oil prices tracked in this report rose \$5-6/b in January 2018, and then fell to end the first quarter slightly higher than 2017 Q4. The U.S. Energy Information Administration (EIA) estimates that continuing draws in U.S. and global oil inventories, as well as actual and potential supply disruptions, may have put upward pressure on crude oil prices in March. Commercial crude inventories in the U.S. fell lower than the previous five-year average for the week ending March 16 – the first time inventories were lower than the five-year average since 2015. While supply is lower, demand may also be reduced. Both the U.S. and China announced potential tariffs on several billion dollars' worth of each other's goods in March; a slowdown in global trade could affect oil demand and reduce global consumption.

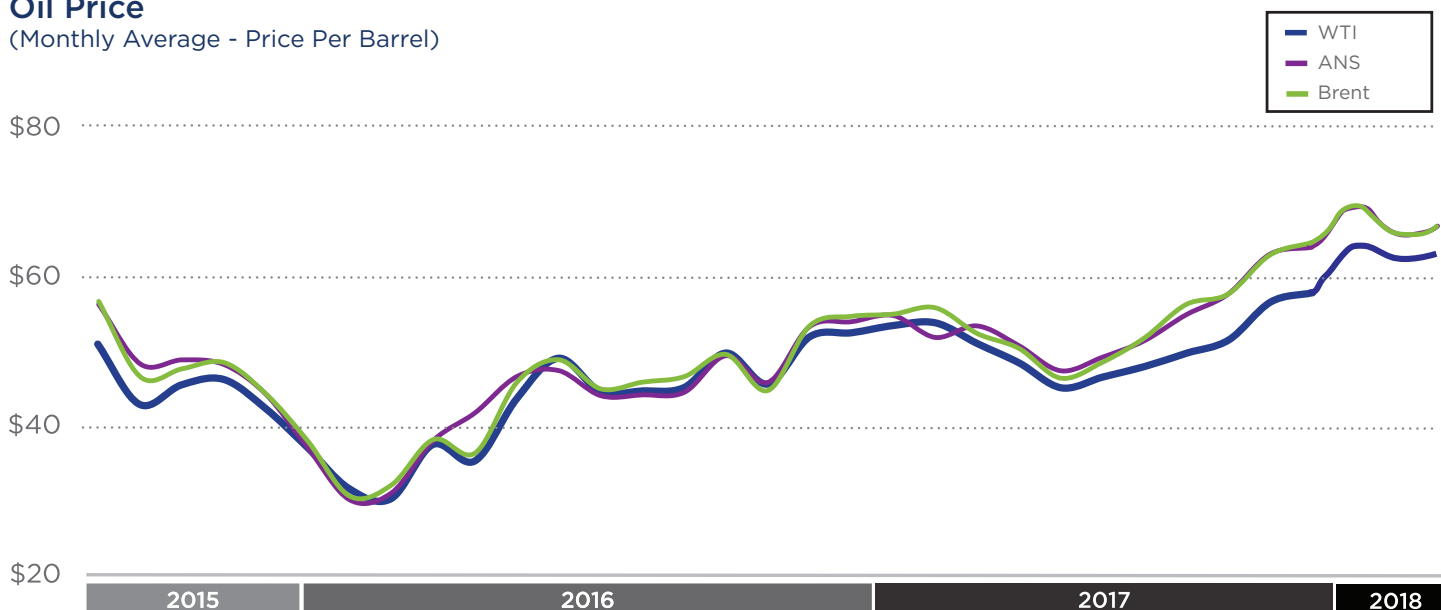
According to the EIA April 2018 Short-Term Energy Outlook (STEO), North Sea Brent crude oil spot prices averaged \$66 per barrel (b) in March 2018. EIA forecasts the Brent crude spot price will average \$63/b in 2018

Oil Price, continued

and 2019. EIA expects West Texas Intermediate (WTI) crude oil prices to average \$4/b lower than Brent prices in both 2018 and 2019. According to the State of Alaska Department of Revenue, the Alaska North Slope oil price first increased to a monthly average of \$69.14/b in January 2018 then decreased to \$66.60/b in March – although still higher than the December 2017 monthly average of \$63.79.

Oil Price

(Monthly Average - Price Per Barrel)



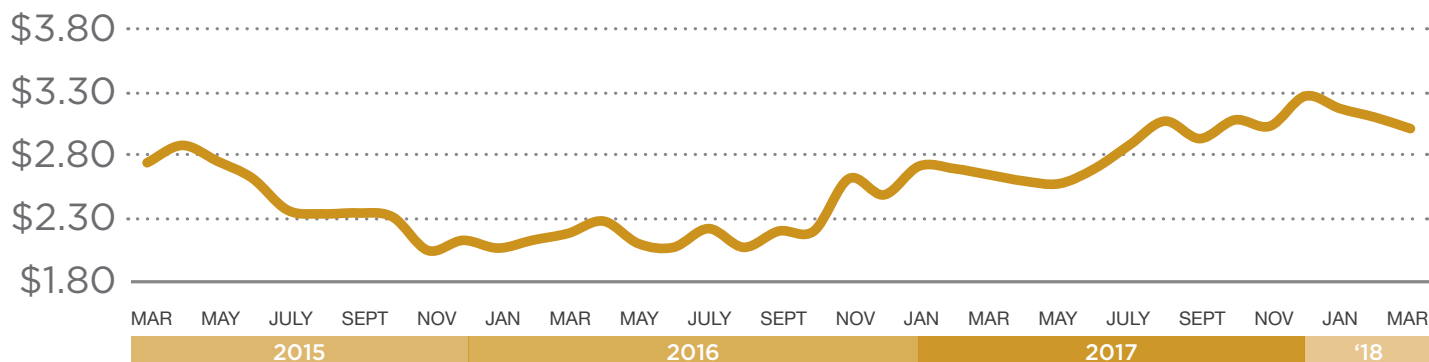
Sources: U.S. Energy Information Administration and State of Alaska Department of Revenue Tax Division

Metals

Metals prices tracked in this report had a mixed quarter. Zinc continues the price rise that began in early 2016; prices spiked upward in February on supply fears, then dropped slightly back down to end Q1 at \$3,280.02/ton. Silver's recent price gains were offset by market uncertainty in advance of the U.S. Federal Reserve interest rate hike at the end of March, and prices decreased this quarter. After reaching a 3-year price high in 2017, increasing warehouse inventories of copper, and reduced Chinese demand, put downward pressure on prices this quarter. A weaker U.S. dollar continued to support gold prices this quarter, which remain relatively unaffected by the Federal Reserve's interest rate hikes over the past few years.

Copper Price

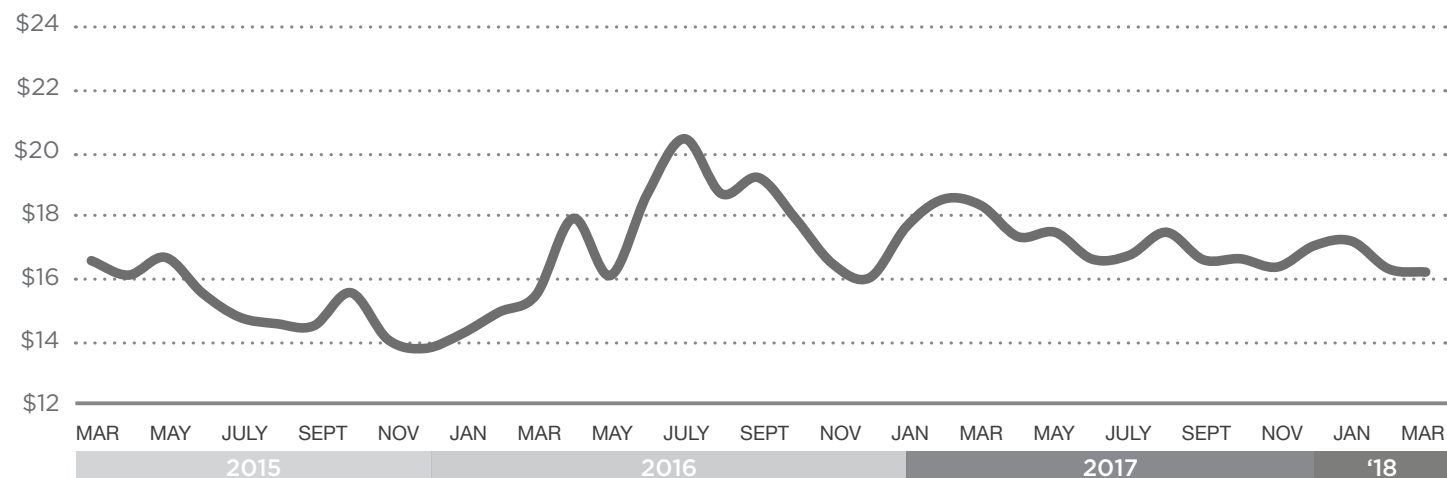
(Monthly Average - Price Per Pound)



Source: Investing.com

Silver Price

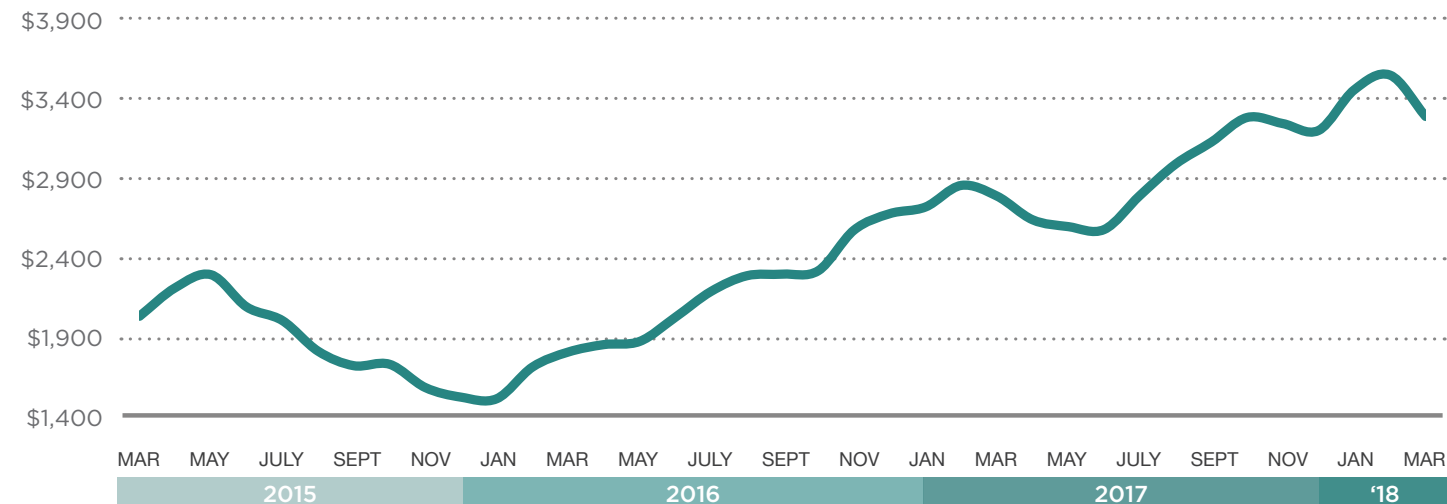
(Monthly Average - Price Per Ounce)



Source: Investing.com

Zinc Price

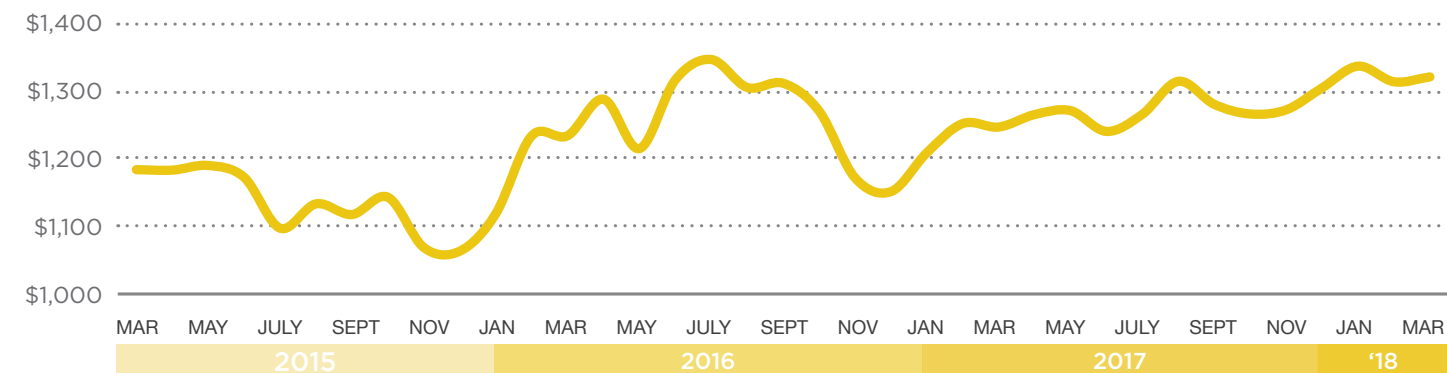
(Monthly Average - Price Per Ton)



Source: Investing.com

Gold Price

(Monthly Average - Price Per Ounce)



Source: Investing.com

Coal Price

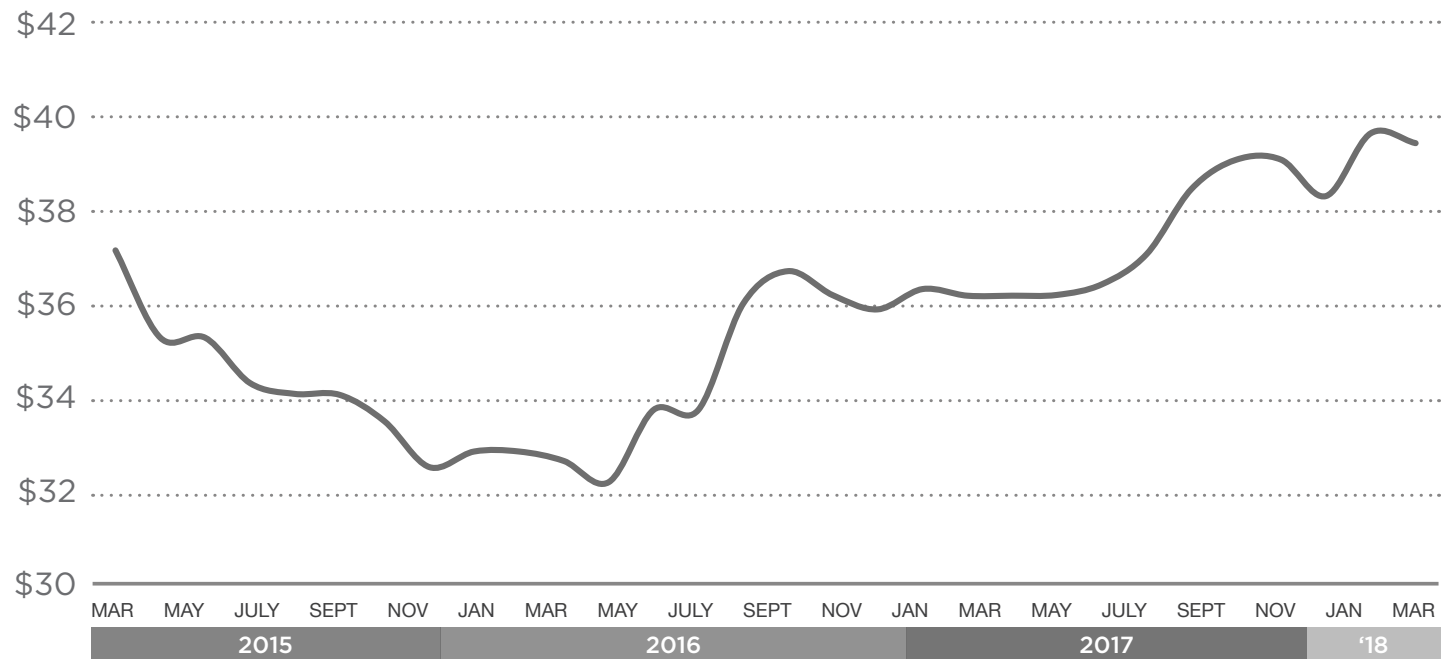


According to Quandl, the average price of U.S. coal rose during the first quarter from \$39.09/short ton in December 2017 to \$39.44/short ton in January 2018.

The EIA April 2018 STEO estimates that in 2018, total U.S. coal production will decrease by 5 percent to 738 million short tons (MMst). The production decrease is largely attributable to lower forecasts of coal use in the electric power sector (down 4 percent in 2018). The expectation of reduced global demand for U.S. coal exports in 2018 and 2019 also contributes to the forecast for lower coal production.

Coal Price

(Monthly Average of Major Production Basins - Price per Short Ton)



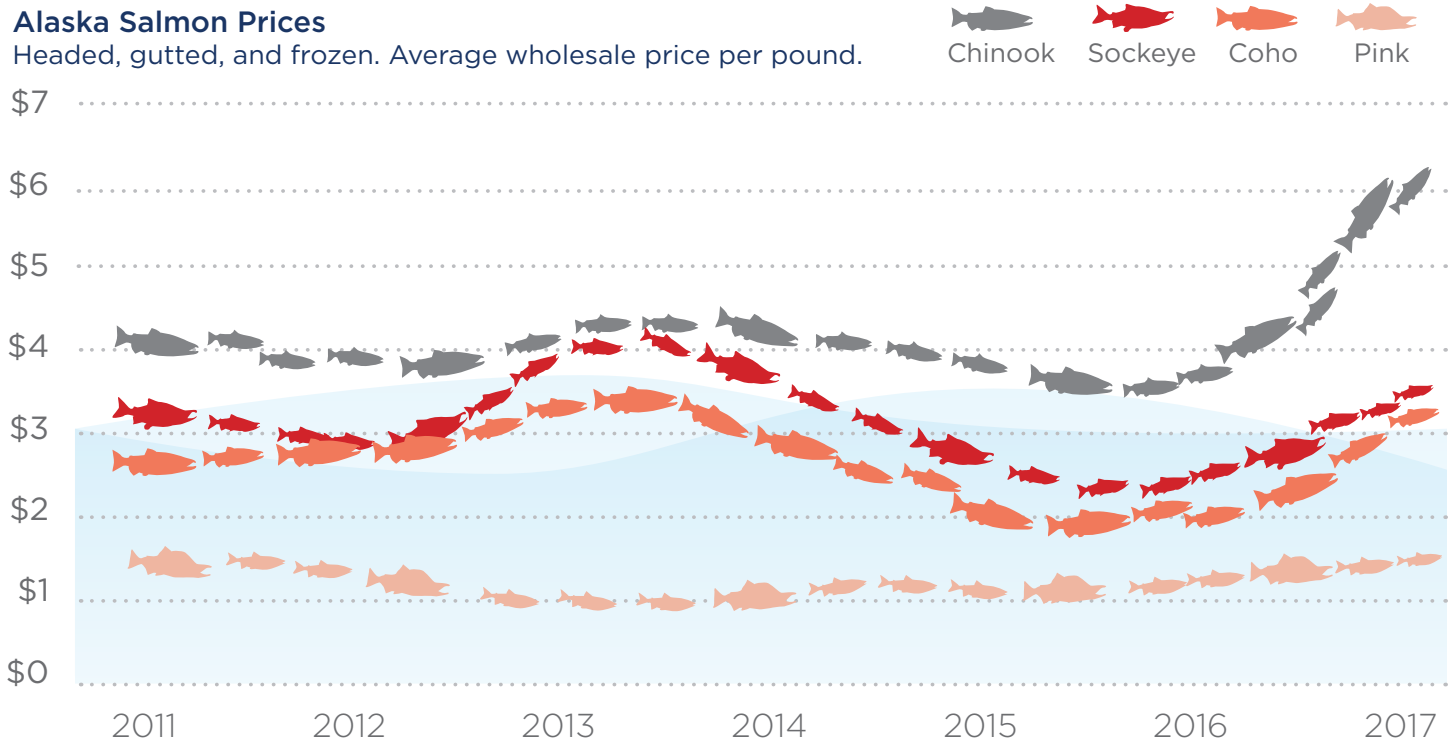
Source: Quandl

Alaska Salmon

Salmon price data is released three times per year by the Alaska Tax Division. Early 2018 data is not yet available. Data from 2017 is below. Last year was described as a “damn good fishing year” by Alaska Department of Labor and Workforce Development economist Neal Fried ended with continued high salmon prices. Compared to the previous year, prices were up across the board for all species. For processed, frozen headed and gutted fish, Chinook prices rose 54 percent from 2016 to 2017. Prices for other species also rose about 20 percent each in the same time period.

Alaska Salmon Prices

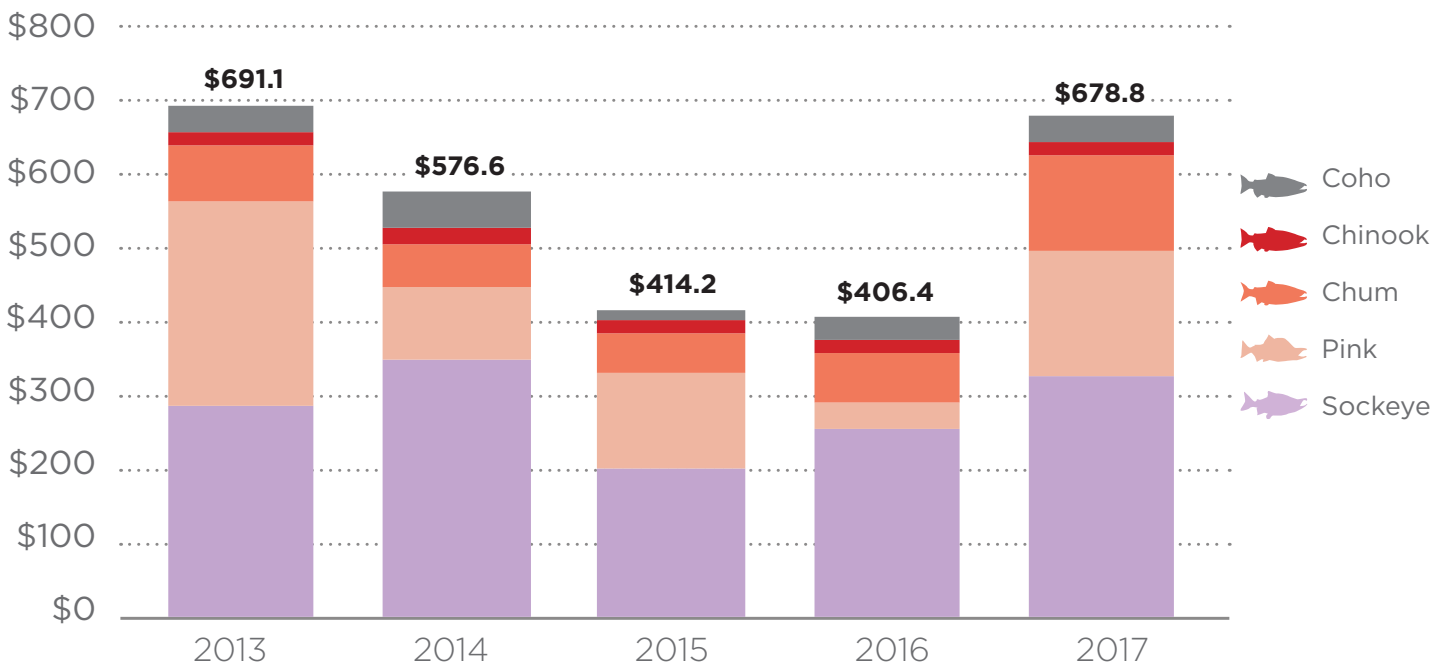
Headed, gutted, and frozen. Average wholesale price per pound.



Source: Alaska Department of Revenue, Tax Division

Alaska Salmon Value

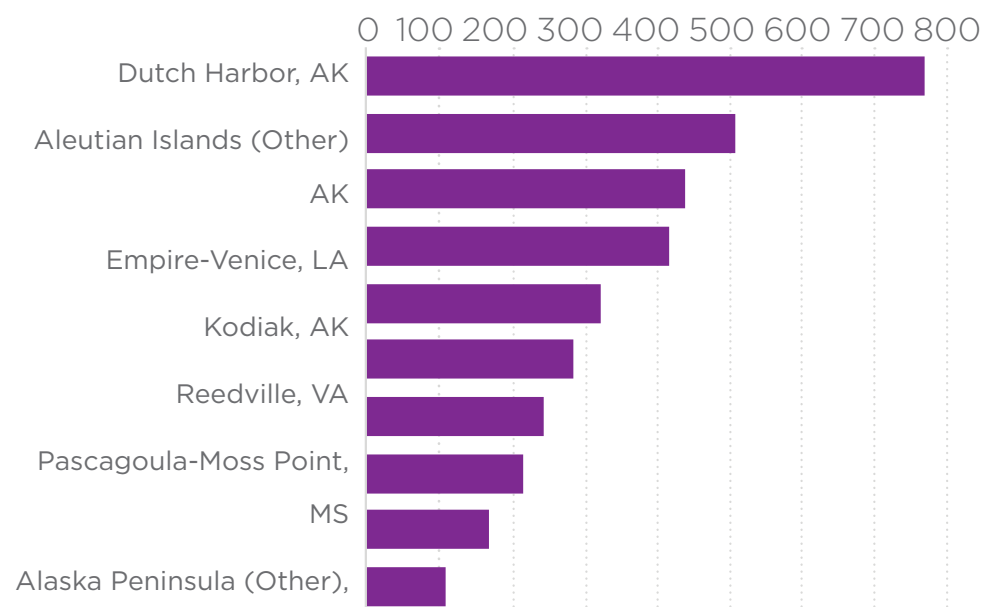
Statewide Total Exvessel Value - Millions of dollars
(Annually through October only)



Source: Alaska Department of Fish and Game; Annual data available for January - October only

Top Ten U.S. Fishery Ports by Pounds Landed

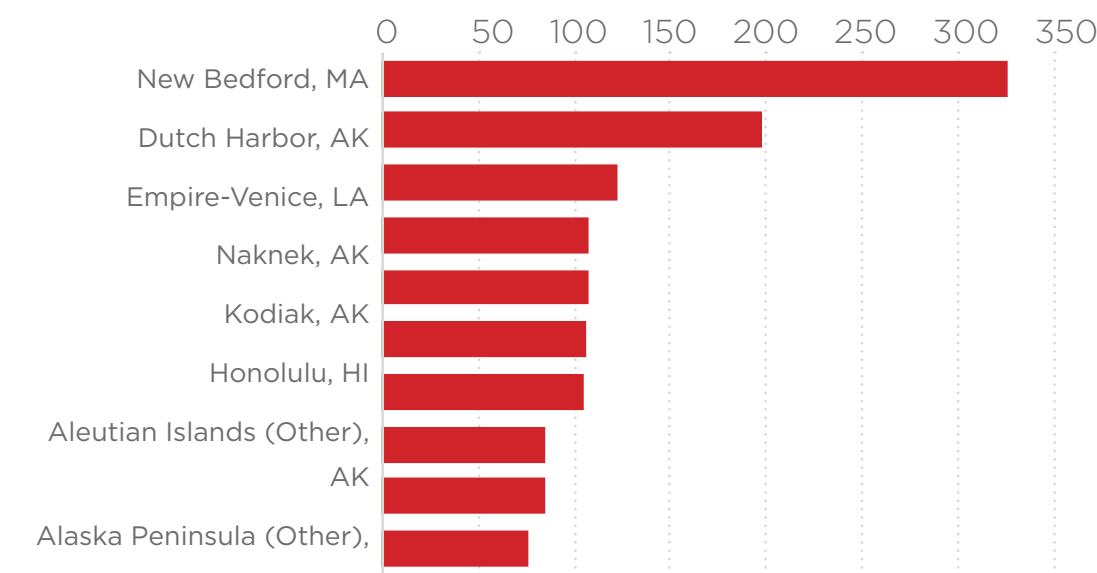
(2016 Value — Millions of Dollars)



Source: NOAA Fisheries Office of Science and Technology

Top Ten U.S. Fishery Ports by Value of Catch

(2016 Value — Millions of Dollars)



Source: NOAA Fisheries Office of Science and Technology

Commercial Fishing Statistics

Alaska ports made up half of the top ten U.S. fishing ports for seafood landings in 2016. Data for 2017 will not be available until later in the year. Dutch Harbor was the top port for the 20th year in a row, with 770 million pounds landed in 2016. New Bedford, Massachusetts was the top port by value, due to the highly valued sea scallop fishery. Other Alaska ports making the top 10 list for landings are the Aleutian Islands at No. 2, thanks to the Trident plant at Akutan, the largest seafood processing facility in the U.S. Kodiak dropped a spot to fourth place, followed by the Alaska Peninsula at No. 7 and Naknek at No. 9. Other Alaska ports making the top 50 ports for seafood landings and values are Ketchikan, Sitka, Bristol Bay, Petersburg, Seward, Cordova, Kenai and Juneau. Alaska led all states in seafood volumes at 5.6 billion pounds and values at \$1.6 billion.

GROSS DOMESTIC PRODUCT

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased in every state and the District of Columbia in the fourth quarter of 2017 (the most recent data available). Real GDP growth is measured quarter-over-quarter, is seasonally adjusted, and annualized. In the fourth quarter of 2017, GDP growth ranged from 1.6 percent in South Dakota to 11.1 percent in Alaska. In 2017 annual data, Alaska ranked 47th in state GDP, dropping from 46th in 2016.

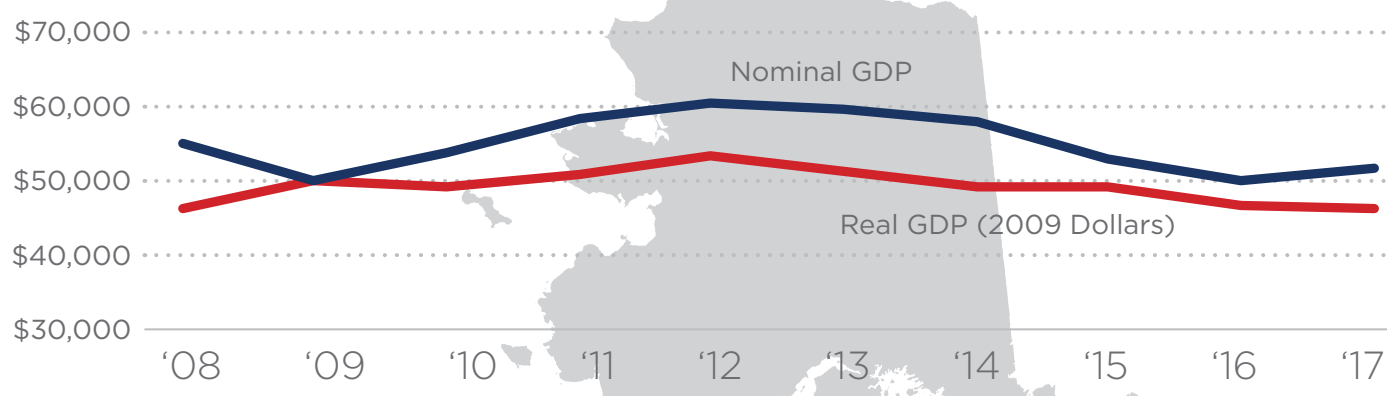
State GDP: Top 10 and Bottom 10 States - 2017

2017 Annual Total - Millions of Current Dollars

TOP TEN STATES			BOTTOM TEN STATES		
		GDP			GDP
1	California	\$2,370,731	42	Delaware	\$62,606
2	Texas	\$1,519,224	43	Idaho	\$62,151
3	New York	\$1,296,225	44	Maine	\$52,545
4	Florida	\$834,789	45	Rhode Island	\$50,924
5	Illinois	\$701,462	46	North Dakota	\$48,588
6	Pennsylvania	\$657,237	47	Alaska	\$46,509
7	Ohio	\$563,302	48	Montana	\$41,705
8	New Jersey	\$507,796	49	South Dakota	\$40,725
9	Georgia	\$475,718	50	Wyoming	\$35,925
10	North Carolina	\$459,664	51	Vermont	\$27,712

Source: U.S. Bureau of Economic Analysis

Alaska GDP: 10-Year Trend (Millions of dollars)



Source: U.S. Bureau of Economic Analysis - 2017 data is preliminary and may change.

STATE ECONOMIC HIGHLIGHTS – FIRST QUARTER 2018

Statewide:

A survey released in March by the Travel Leaders Group showed that Alaska cruises rank first among domestic travelers this year for the first time ever. The results of the annual trends survey come from booking data provided by travel agent professionals who are actively booking vacations on a daily basis and are at the forefront of where consumers are currently vacationing.

Alaska has some of the highest wholesale marijuana prices in the country, according to the Marijuana Business Daily. In a story published in March, the news outlet reports that wholesale prices in Alaska range from \$2,800 to \$5,000 per pound. That is down from the previous year, when prices were as high as \$6,000 per pound. The high prices are due in part to the higher cost of doing business in Alaska, but also because demand still outpaces supply. Prices are expected to fall as more cultivators come online, improve their growing processes, and improve their growing facilities. The State of Alaska collects a \$50 per ounce tax on the sale of cannabis sold by growers to retailers.



Northern:

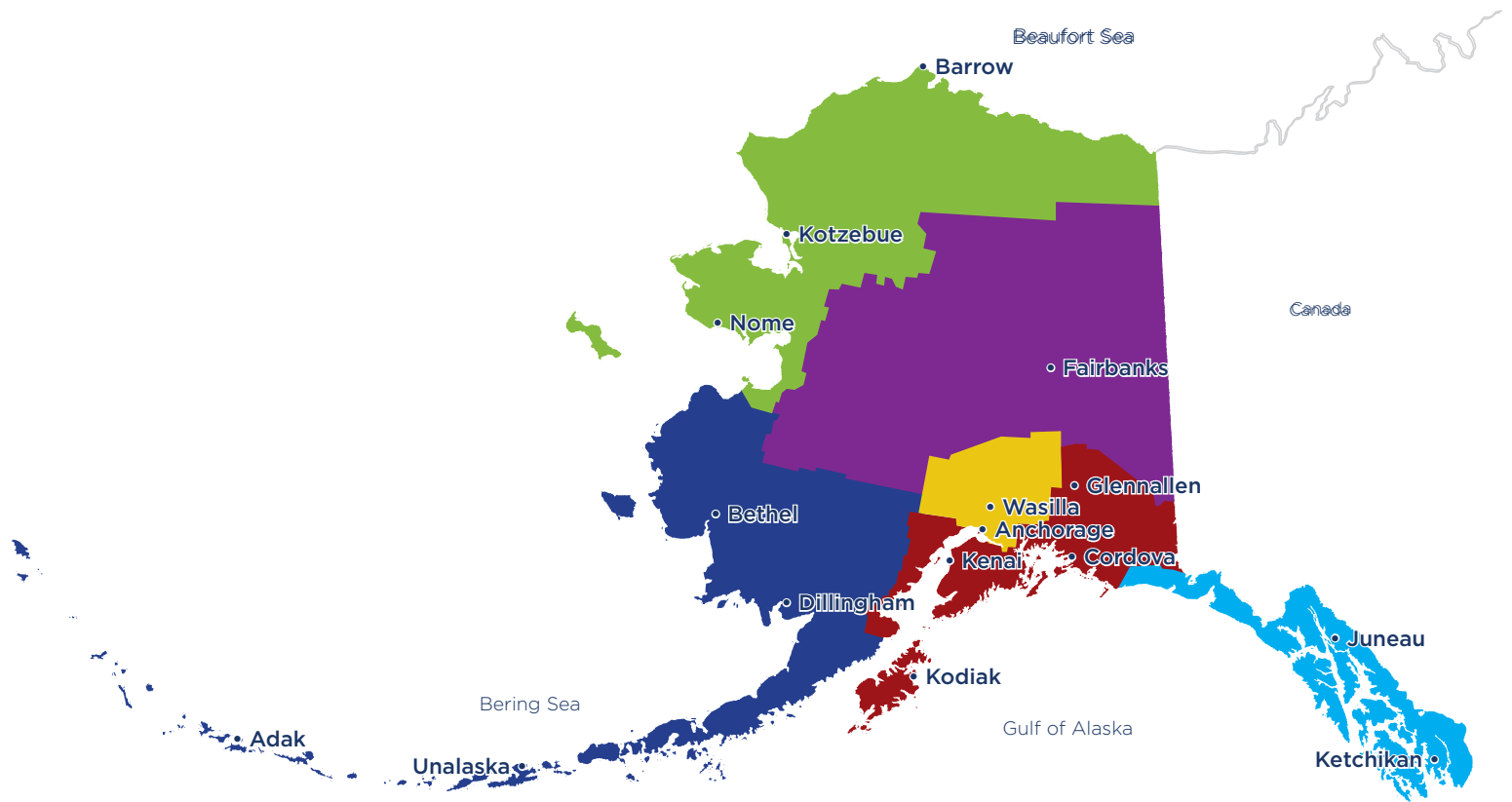
In March, the North Slope Borough headed construction of approximately 300 miles of snow roads between Utqiagvik, Atkasuk, and the North Slope oil fields that lead to the Dalton Highway. The borough received permits to build the roads after minimum amounts of snow cover and frost depth were met. In addition to providing easier and cheaper winter transportation to North Slope residents, the project tested the viability of a permanent road system in the region. Drivers on the snow roads had their vehicles inspected for road readiness and traveled in slow-moving convoys led by pilot trucks equipped with rubber paddle tracks.

Arctic sea ice hit its maximum reach for the season in March, making this year the second lowest maximum in the 39-year satellite era. The four lowest maximum extents, during the satellite record, have all occurred in the past four years. Warm temperatures and persistent storminess contribute to the low levels of sea ice. The total extent of the Arctic sea ice reached 5.59 million square miles, which is about 450,000 square miles less than the average and 20,000 square miles more than 2017.



Interior:

The Sam's Club store in Fairbanks closed in January, after Wal-Mart Stores Inc., Sam's Club's parent company, closed 63 locations around the country. Two Southcentral locations were also included in the closures, but the loss hit the Fairbanks area particularly hard, as there are no other bulk warehouse stores in the region. The three stores employed roughly 450 workers. The Fairbanks store was a major supplier to restaurants and food service businesses in the Interior. A Walmart spokeswoman said one factor in the closures is the high cost of operating due to distance from distribution hubs. Following the closures, the Fairbanks North Star Borough announced that Costco had entered into an agreement with the owner of the property to open a store in the former Sam's Club location.



Anchorage/Mat-Su:

The Wasilla City Council voted in January to ban single-use plastic bags in the city. The ban will take effect in July of this year. Other Alaska communities that have banned plastic bags are Bethel, Cordova, and Hooper Bay. Proponents of the bag ban say strong wind in the region blows the bags all over, endangering wildlife and introducing harmful chemicals to an ecosystem that produces food that people eat in addition to making the community look messy.

Matanuska Brewing Company began canning beer in a Palmer building once owned by the Matanuska Maid dairy. Matanuska Brewing purchased the building from the Division of Agriculture's revolving agricultural loan fund in 2017 for \$825,000 and invested roughly \$5 million in the plant. The facility houses keg and canning production lines and owners of the new brewing company say their focus will be wholesale production.



Gulf Coast:

ConocoPhillips sold its Kenai LNG plant in January to Andeavor, a company that owns a crude oil refinery nearby and that is Alaska's primary supplier of gasoline and jet fuel. While both companies refused to comment on the transaction, the Kenai Peninsula Borough mayor announced during an assembly meeting that the purchase price was \$10 million. The plant and land are assessed at \$55 million for tax purposes. The plant came online in 1969 and was once the largest facility of its kind, although it is small by today's standards. Regular exports from the plant ended in 2011, although occasional exports continued through 2015. The sale marks ConocoPhillips' exit from the Cook Inlet oil and gas basin.

The Kenai City Council voted in February to approve the purchase of a new \$1,600 camera for a livestreaming site located above an eagle's nest. The council also voted to expand advertising opportunities on the livestream feed. The city introduced the Kenai Eagle Cam last summer, garnering millions of views online. The nest is located on a resident's private property. Officials say the goal of the livestream is to attract internet traffic to the city's website and the chamber's website.



Southeast:

In January, Ocean Beauty Seafoods announced that its cannery in Petersburg would not operate in 2018. The salmon cannery, one of two in Petersburg, will be closed for the second year in a row. The company cited two reasons for the closure: the low forecast for pink salmon this year and changing consumer preferences. "The market is a lot hotter for frozen product as opposed to cans and that plant is primarily a cannery," said Ocean Beauty vice president of marketing Tom Sunderland. When the cannery is operating, it employs about 200 processing workers during the summer months.



Southwest:

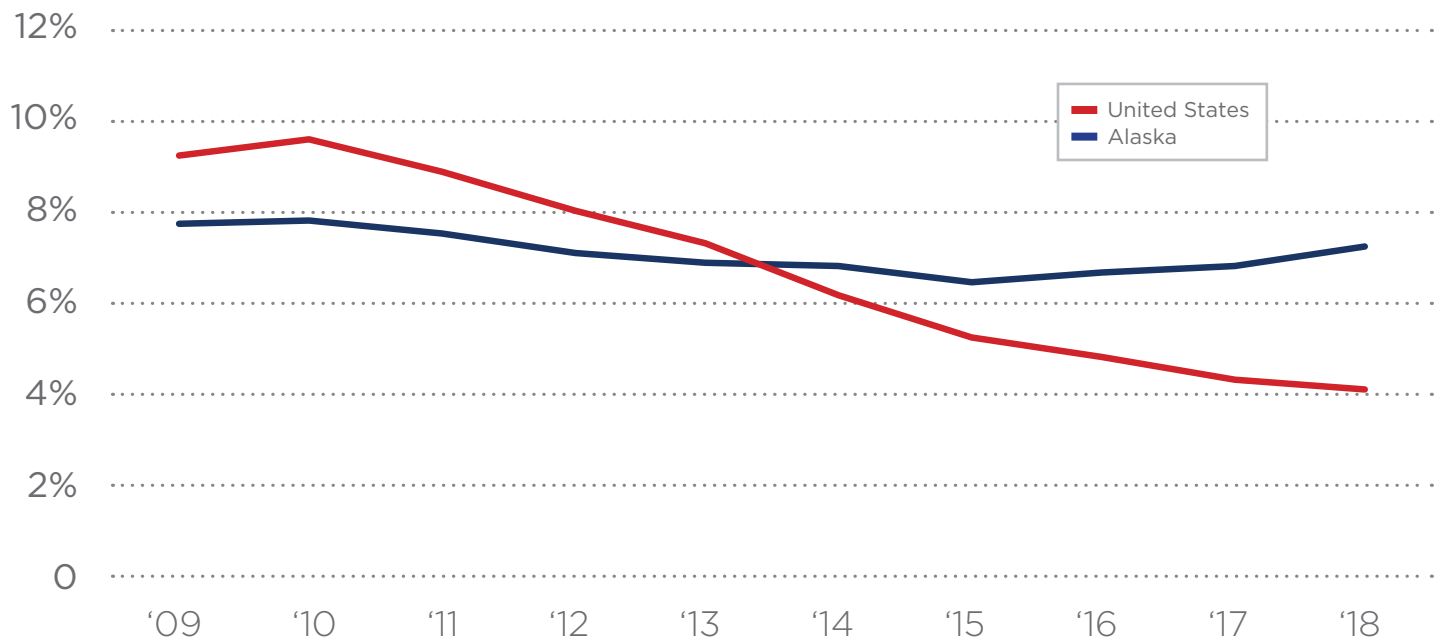
Novagold Resources released results from a 16-hole drill program at Donlin Gold in March. The testing showed better than expected outcomes, with long sections of high-grade gold found in the reserve pit and in areas outside of the currently proposed mine area. The permitting process for the project is nearing completion. The U.S. Army Corps of Engineers released the final Environmental Impact Statement in April. The next steps are to secure various state and federal permits.

TOTAL WORKFORCE AND UNEMPLOYMENT RATE

Alaska continues to have the highest unemployment rate in the country. March saw the 30th consecutive month of job losses, making the current recession a longer downturn than in the 1980s, when a deep recession in the state led to 25 straight months of job loss. Nationally, March was a month when 14 states set records for low unemployment. The average seasonally adjusted unemployment rate in the first quarter was 7.3 percent in Alaska but just 4.1 percent nationally. The lowest unemployment rate in the country was in Hawaii, at 2.1 percent. Alaska's unemployment rate has historically been higher than the national average; the lowest rate the state has ever recorded, in June 2007, was 6.3 percent, while at the same time the national unemployment rate was 4.6 percent.

Alaska and U.S. Unemployment

(Annual seasonally adjusted unemployment rates)

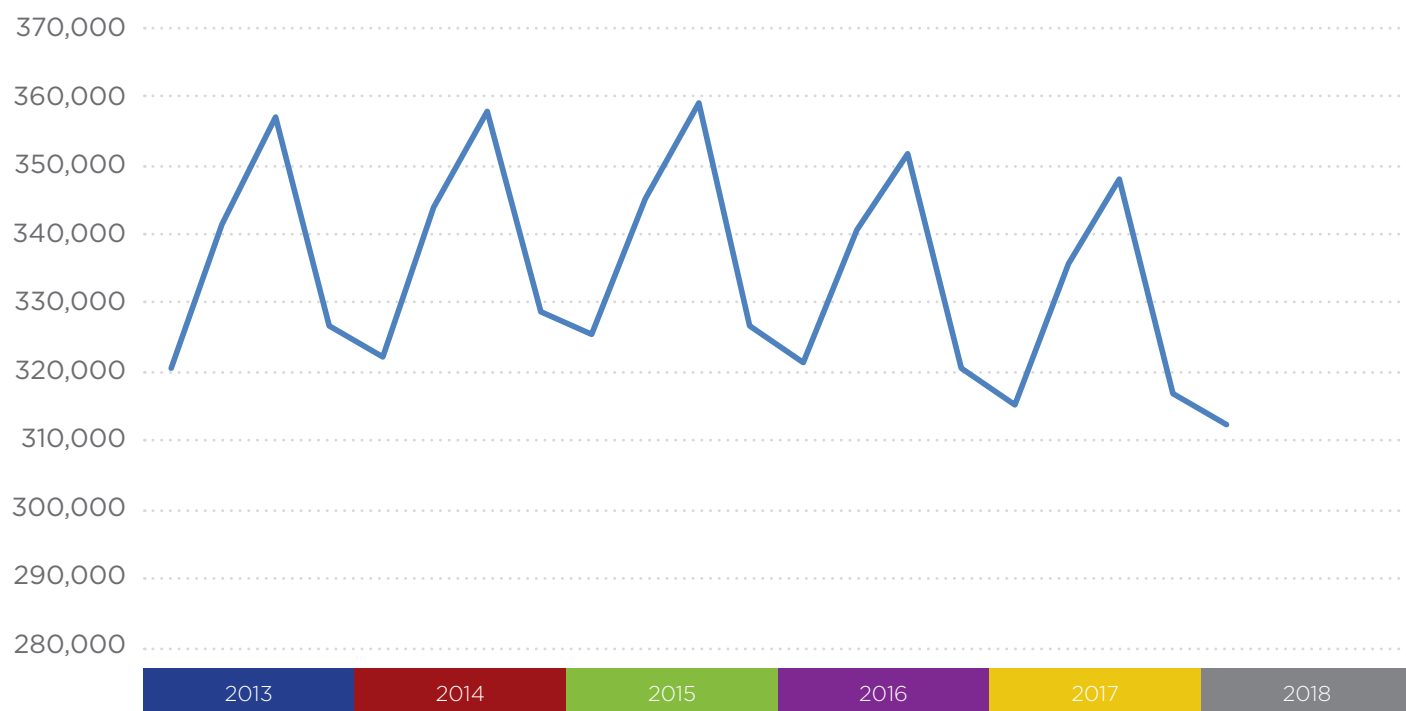


Source: Alaska Department of Labor and Workforce Development and U.S. Bureau of Labor Statistics

Average non-farm employment in Alaska was 312,500 in the first quarter of 2018. This number is not seasonally adjusted, and the data show the seasonal fluctuations. On average, the first quarter of the year has the lowest total employment.

Average Monthly Employment

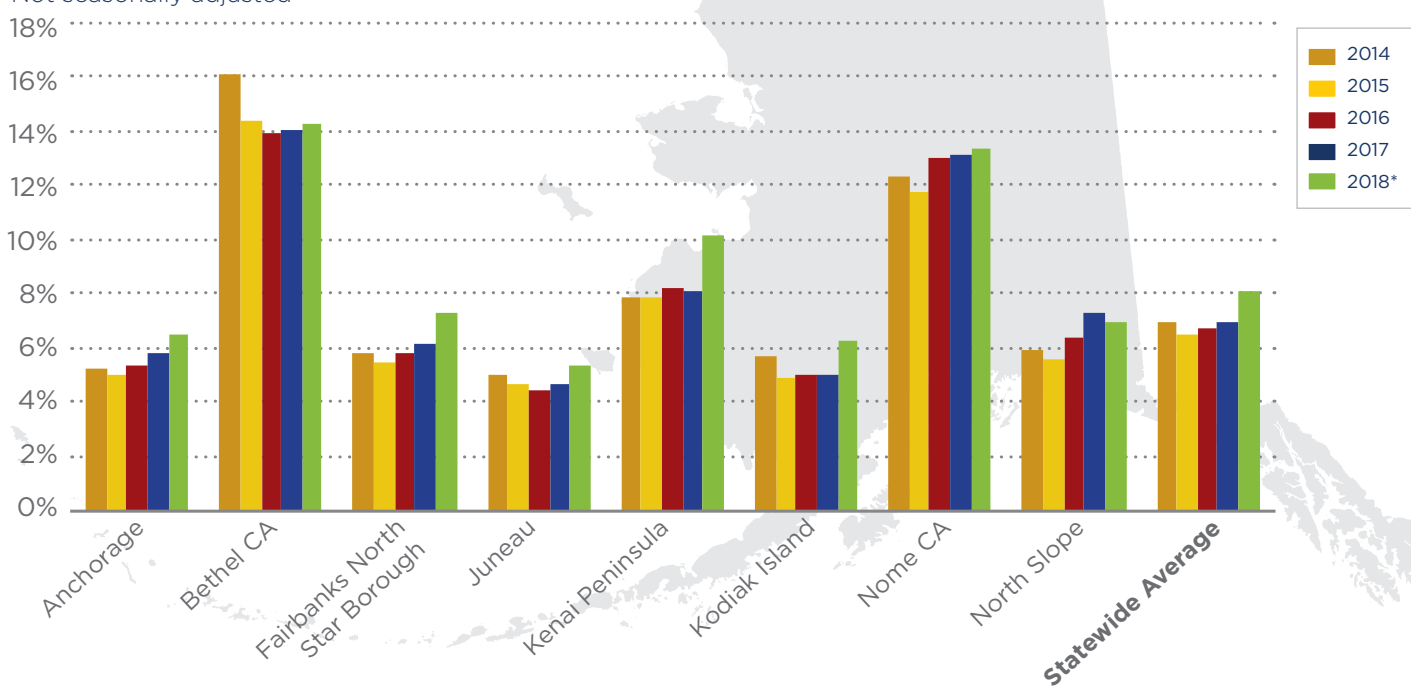
(Not seasonally adjusted)



Regionally, unemployment rates vary across the state. In the more populated areas of Juneau, Anchorage, and Fairbanks, unemployment rates are below the statewide average. In rural areas they can be much higher, sometimes up to triple the statewide average.

Selected Annual Unemployment Rates

Not seasonally adjusted



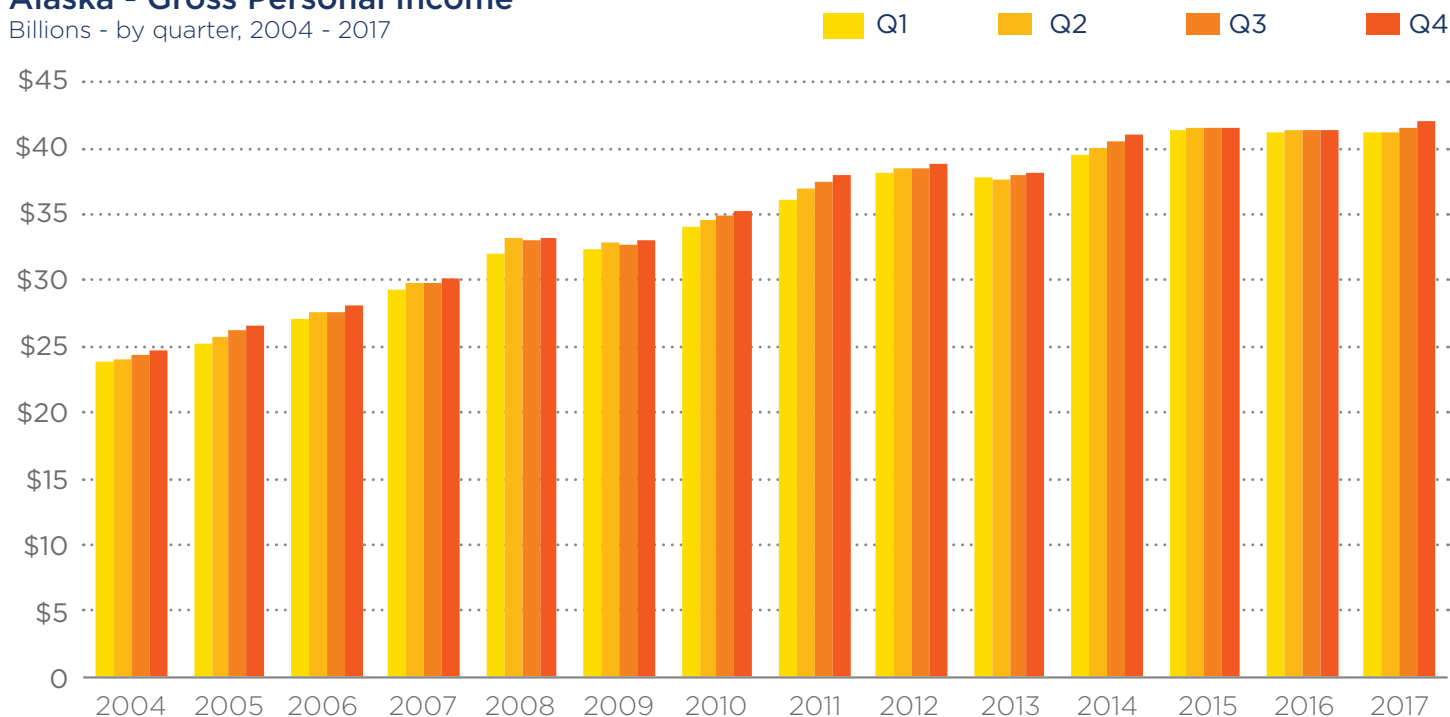
Source: Alaska Department of Labor and Workforce Development. * 2018 Data through Q1

PERSONAL INCOME

Personal income in Alaska has remained relatively steady over the last three years, after almost a decade of growth. Statewide gross personal income was \$42.1 billion in the fourth quarter of 2017, just 2 percent higher than the same period in 2016. Alaska's per capita income of \$56,878 in the fourth quarter of 2017 ranked 11th of the 50 states and the District of Columbia, but in the fourth quarter of 2016, Alaska had the 8th highest per capita income. Personal income data for the first quarter of 2018 is not yet available.

Alaska - Gross Personal Income*

Billions - by quarter, 2004 - 2017



Source: U.S. Bureau of Economic Analysis. *The sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance plus the adjustment for residence.

COST OF LIVING IN ALASKA

A cost of living index measures the relative cost of living over time across geographical regions. Differences in the price of household basics and services needed to maintain a basic standard of living, such as the cost of food, housing, energy and basic goods, are taken into account.

The Division of Economic Development works with partners throughout the state to produce a quarterly survey of prices for four staples in several communities: 1 dozen eggs, 1 gallon of milk, 1 loaf of white bread, and 1 gallon of unleaded gasoline. Data were available for six Alaska communities for the first quarter of 2018, but this quarter's average does not include some of the more rural communities that have participated in the past. For the six communities surveyed in March 2018, the average price basket was \$12.32, \$0.31 higher than the average in the fourth quarter of 2018. Prices are trending upward over the last year. Most grocery prices in particular were higher in all six communities. One exception is the price of bread in Fairbanks, which was anomalously high when it was collected in the fourth quarter of 2017.

Alaska Community Price Comparison

(December 2017 - Dollars)

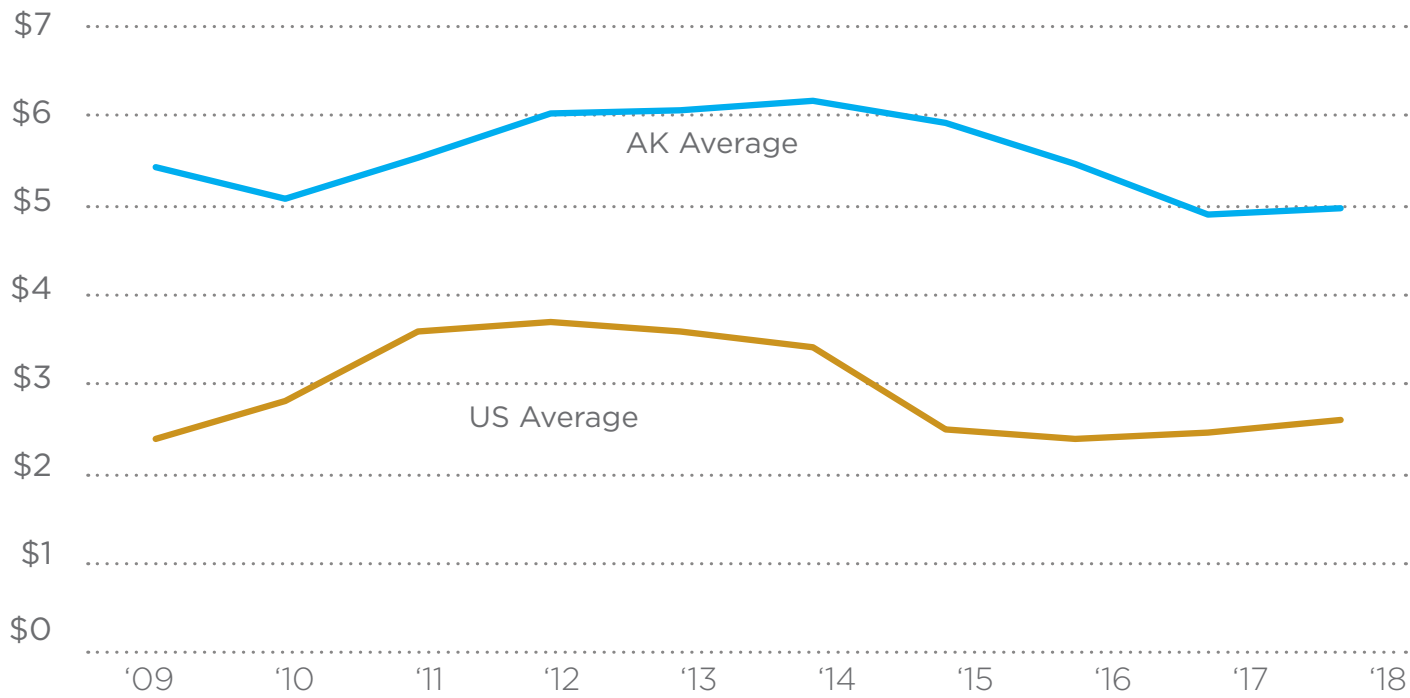
	1 DOZ. EGGS	1 GALLON MILK	1 BREAD LOAF	1 GALLON GAS	Total
Anchorage	\$2.79	\$3.79	\$2.00	\$3.09	\$11.67
Juneau	\$2.79	\$3.89	\$2.00	\$3.56	\$12.24
Fairbanks	\$2.79	\$3.79	\$2.00	\$3.20	\$11.78
Kenai	\$2.27	\$3.98	\$2.08	\$3.09	\$11.42
Kodiak	\$2.89	\$4.19	\$2.39	\$3.44	\$12.91
Valdez	\$3.29	\$3.99	\$2.89	\$3.70	\$13.87
Average	\$2.25	\$3.85	\$2.67	\$3.24	\$12.32



Gasoline Prices

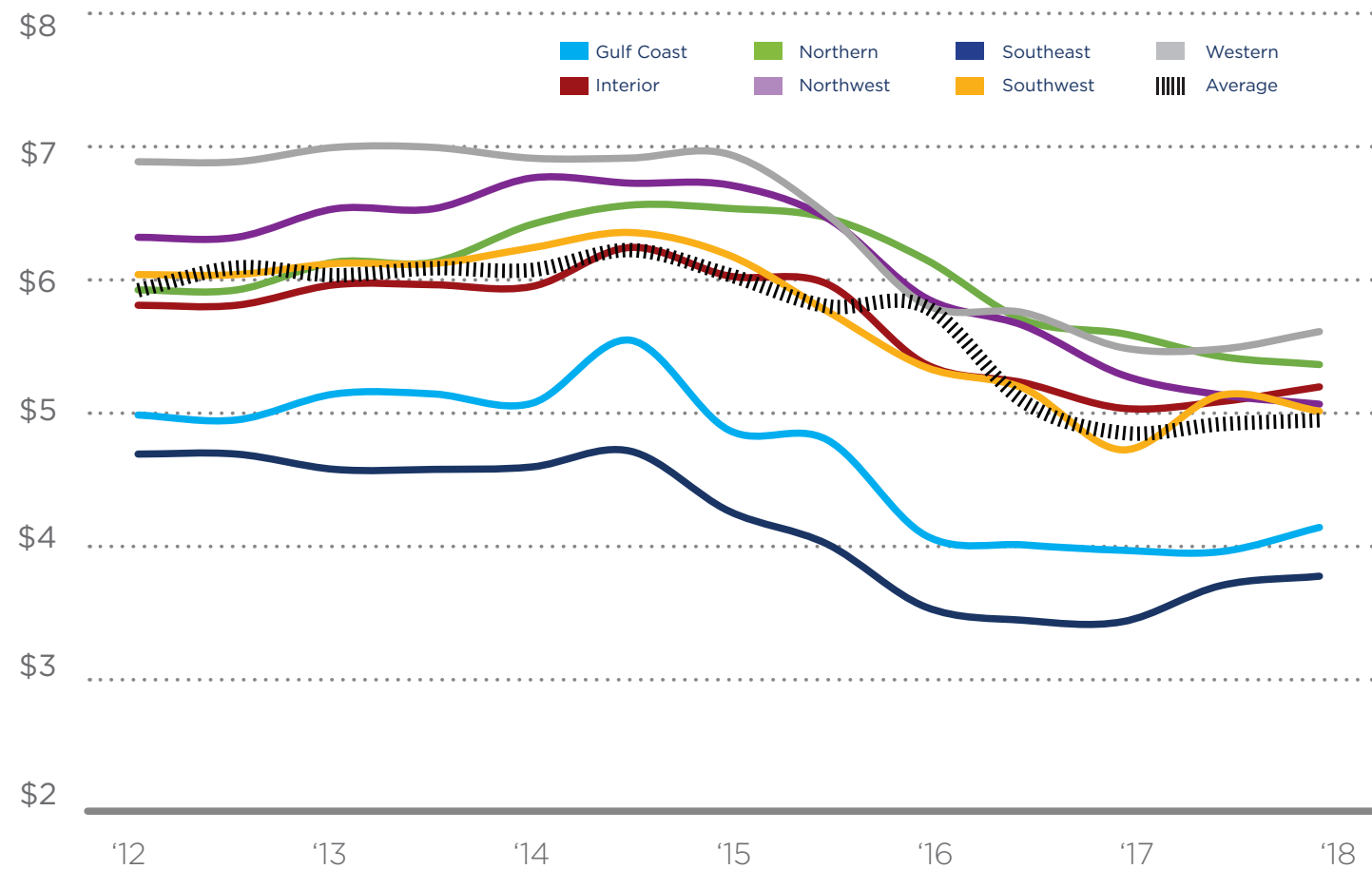
In Alaska, another important gauge of the cost of living is the price of gasoline. The per gallon price of gasoline over time is illustrative of the general trend of prices in Alaska versus the U.S. average. In the first quarter of 2018, the national average price of gasoline (\$2.47/gallon) was \$2.42/gallon lower than the Alaska average of \$4.89/gallon. However, the state average is an average of dozens of communities across the state, some with prices as high as \$10.00/gallon and some as low as \$2.78/gallon.

Gasoline Price Average
(Current dollars - price per barrel)



The Alaska Division of Community and Regional Affairs (DCRA) conducts a biannual survey of energy (heating fuel and gasoline) prices around the state. The January 2018 survey compares gasoline prices for seven regions around Alaska. Southeast Alaska has the lowest average gasoline price at \$3.79 per gallon, while the Western region had the highest price at \$5.61 per gallon. The statewide average increased from \$4.79 in January to \$4.85 in July, driven by a \$.27 increase in the Southeast region and \$.41 increase in the Southwest region. The Gulf Coast, Northern, Northwest, and Western regions all saw gasoline prices fall between January and July of 2017.

Alaska Gasoline Price by Region
(Current dollars - price per gallon)



Source: Alaska Division of Community and Regional Affairs.

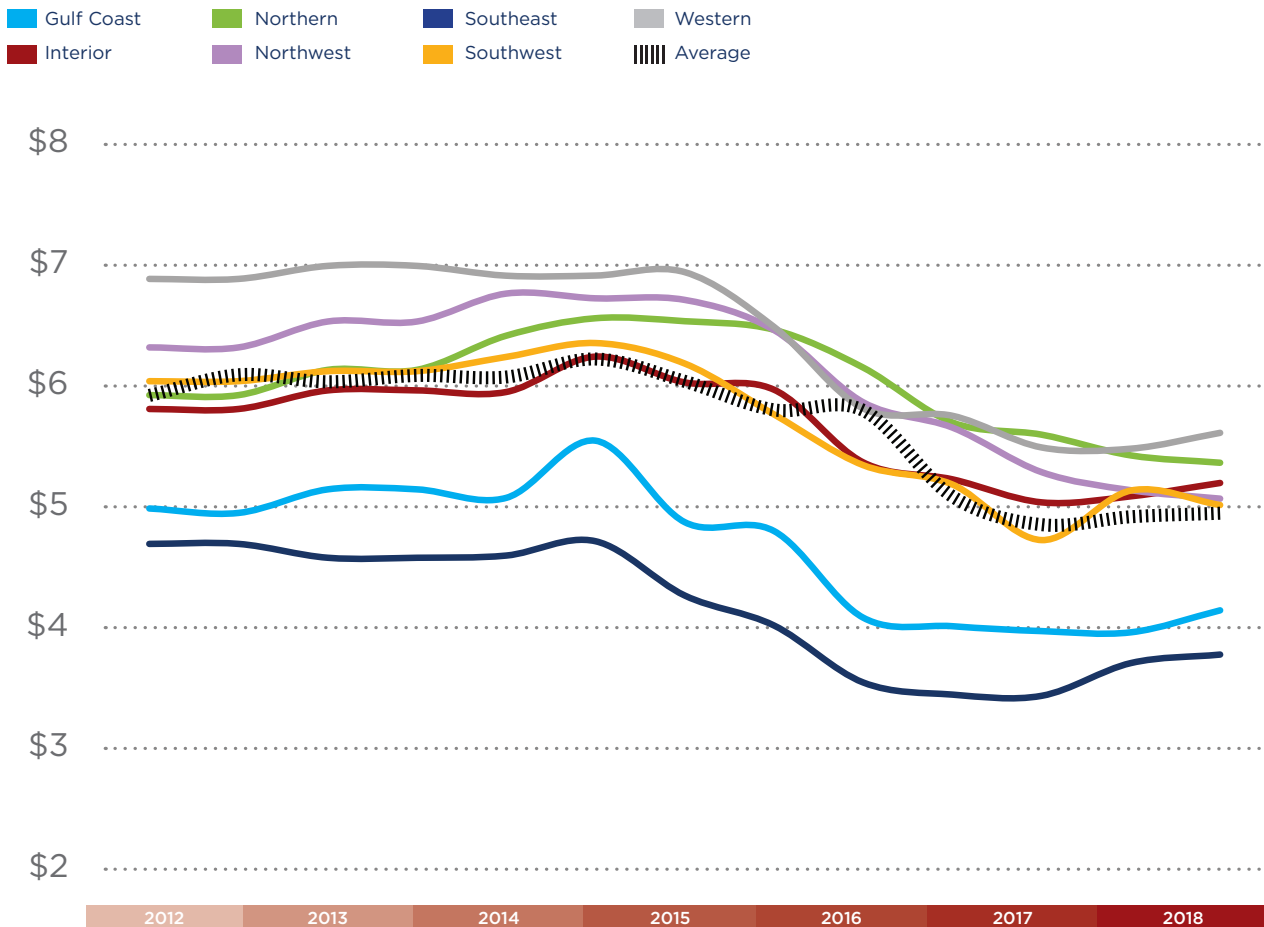
Energy



DCRA's January 2018 survey showed Alaska communities in the Western Region had the highest average heating fuel retail price at \$5.06 per gallon, while the Northern Region reported the lowest average retail price at \$1.96 per gallon (Note: the North Slope Borough subsidizes residential heating fuel costs in five of its seven communities, reducing their average prices substantially). Excluding the Northern Region, the Southeast Alaska Region tends to experience the lowest heating fuel prices. Average heating fuel costs have fallen over the last two years. The 2017 statewide average (average of January and July prices) of \$3.94 per gallon was \$0.22 lower than the \$0.26 average of \$4.16.

Average Alaskan Heating Fuel Cost

(By Region, Current Dollars - Price Per Gallon)



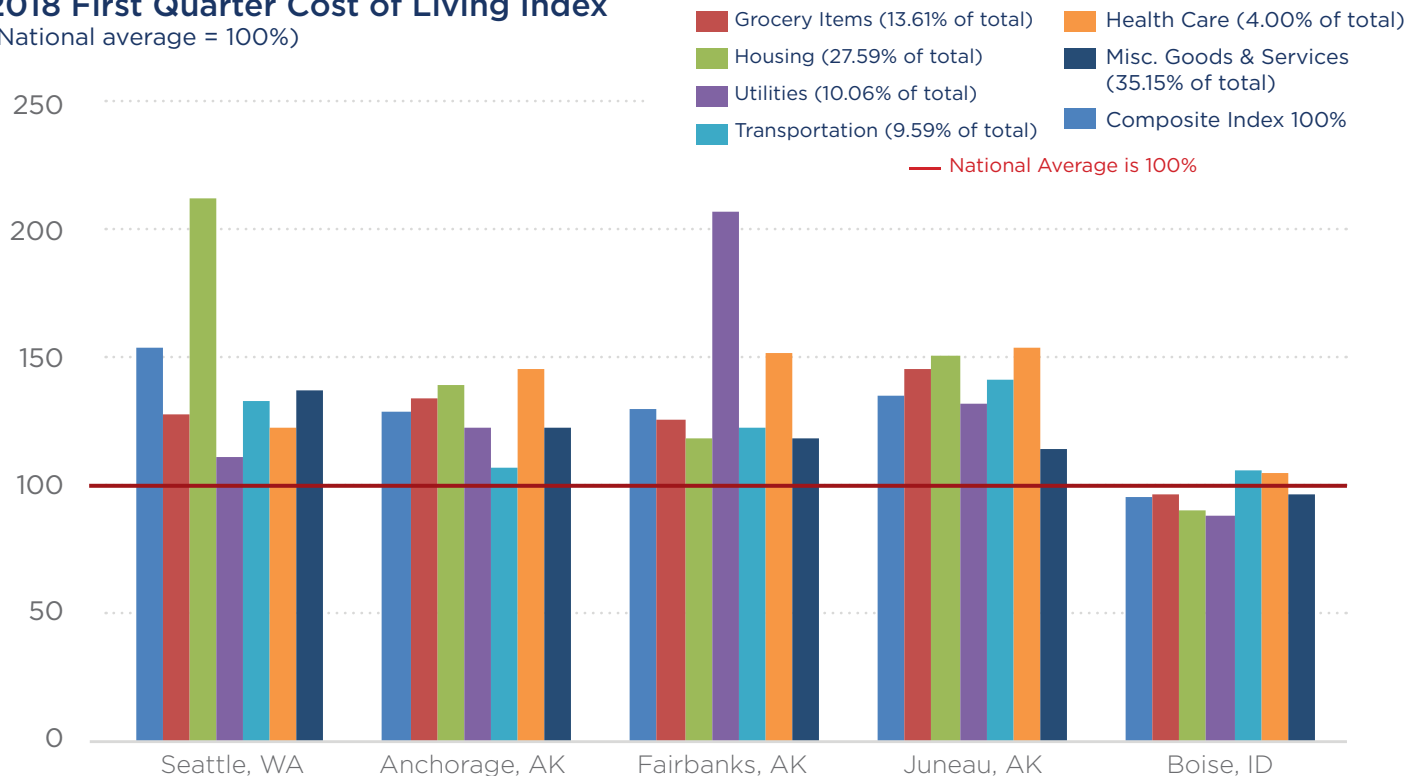
Source: Alaska Division of Community and Regional Affairs

The cost of living in Alaska communities can be compared to show how expensive it is to live and work in Alaska communities versus communities in other states. The Council for Community and Economic Research publishes a quarterly and annual Cost of Living Index (COLI), which provides a measure to compare cost of living differences among urban areas nationwide (communities in all 50 U.S. states, the District of Columbia, and Puerto Rico). The COLI provides a useful way to compare the cost of living differences between urban and rural areas weighted by different categories of consumer expenditures for upper middle class households.

In the first quarter of 2018, perennial Cheapest City in America, McAllen, Texas was beat out by neighboring Texan community Harlingen for the bottom spot on the Cost of Living Index. The composite cost of living index for Harlingen was just 76 percent of the national average. Once again, the most expensive city in the country was Manhattan, New York. The composite index for Manhattan was 245 percent of the national average, driven by expensive housing costs.

This quarter, Alaska cities included in the COLI were Juneau, Fairbanks, and Anchorage. Of the 263 cities surveyed, Juneau was the most expensive Alaska city, ranking 17th in the nation. The composite index for Juneau was 134.5, meaning the cost of living in the capital city is 34.5 percent higher than the national average. Fairbanks was 19th (composite index of 129.8) and Anchorage was 20th (128.4). All four have higher costs of living than comparable cities in the Pacific Northwest. Seattle is the only Pacific Northwest city with a higher cost of living, which is driven by the cost of housing. Other Washington state cities included in the survey are Bellingham (ranked 34th with an index of 115.6), Olympia (55th, 104.2), and Spokane (84th, 98.2). Looking at other cities in the region, Bozeman, Montana is the 56th most expensive city in the survey, with a composite index of 103.9 and Boise, Idaho is the most affordable Pacific Northwest city, ranked 130th on the list, with a composite index of 95.0, falling below the national average.

2018 First Quarter Cost of Living Index (National average = 100%)



Source: Council for Community & Economic Research

Across the board, prices in Alaska tend to be higher than most other states. According to the COLI, in the fourth quarter of 2017, Alaska had the highest health care costs in the nation, the second highest cost of groceries, and the third highest cost for utilities and transportation. It is important to note that this is based on data from only four Alaska communities - Anchorage, Fairbanks, Juneau, and Kodiak. Prices in most of rural Alaska are significantly higher which, if included, could increase Alaska's rank.

Top 10 Most and Least Expensive States, 2018 1st Quarter

(Average = 100%)

MOST EXPENSIVE STATES		% ABOVE AVG.	LEAST EXPENSIVE STATES		% BELOW AVG.
1	Hawaii	86.3%	42	Texas	8.6%
2	District of Columbia	61.8%	43	Georgia	9.2%
3	California	41%	44	Kansas	10.5%
4	New York	33.9%	45	Tennessee	10.6%
5	Alaska	30.9%	46	Missouri	11.1%
6	Maryland	30.4%	47	Alabama	11.2%
7	Oregon	30%	48	Arkansas	11.2%
8	Massachusetts	27.6%	49	Michigan	11.3%
9	Connecticut	27.1%	50	Oklahoma	11.7%
10	Rhode Island	22.2%	51	Mississippi	16%

Source: Council for Community & Economic Research

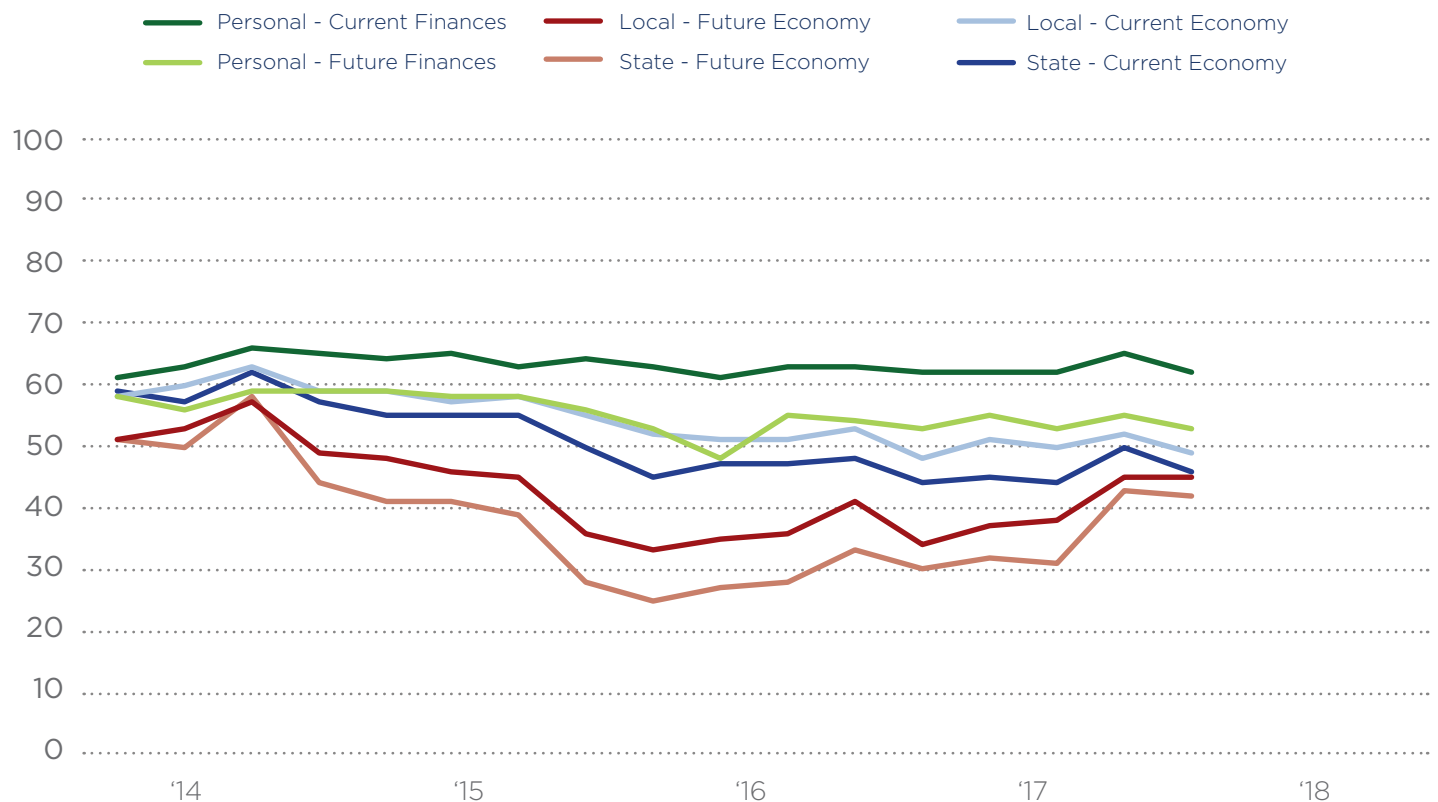
ALASKA CONFIDENCE INDEX AND COMPONENTS, QUARTERLY FIGURES

The Alaska Confidence Index (ACI) is a measure of Alaska households' confidence in the health of the state and local economies, their personal financial situation, and their expectations for the future. The ACI is expressed using a value of 0 to 100. Values above 50 represent relative confidence in the economy, while values below 50 indicate lack of confidence. The ACI is comprised of six individual components: current assessment of, and future expectations for, the state economy confidence; local economy confidence; and personal financial confidence.

Alaskans' economic confidence dipped in the first quarter of 2018, as measured by the Alaska Confidence Index (ACI). The composite index dropped to 51.9, a drop of 2.6 points from 2017 Q4, driven by weakness in respondents' read of the current situation at all levels—state, local, and personal—as well as slightly worsening expectations for local and state economic conditions.

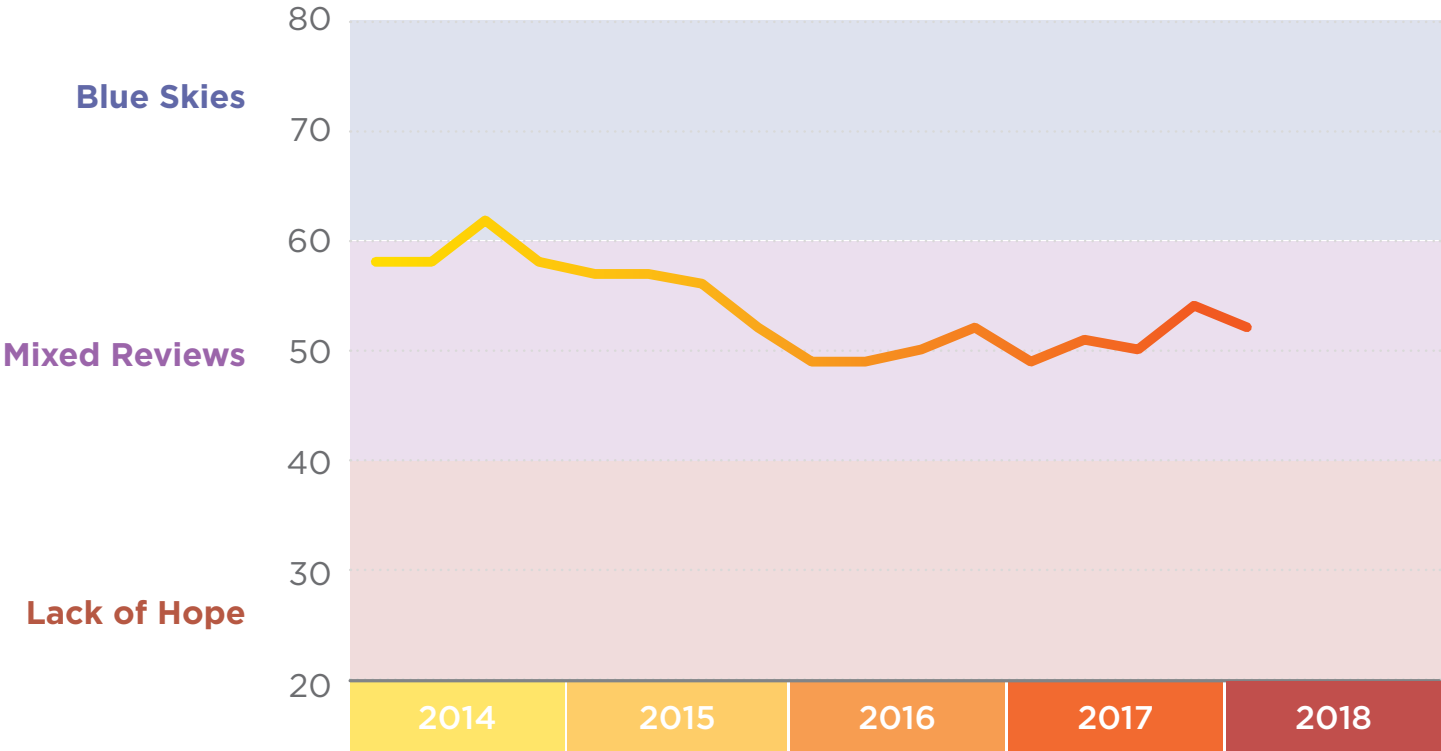
On a year-over-year basis the index is up 2.7 points from the 2017 Q1 reading of 49.2 points, the difference being that expectations for the future are much improved at the state and local levels, and only slightly lower personally. The positive news is that the expectation for state and local economies, while still being negative, is a lot better than surveys had shown for the last two years.

Alaska Confidence Index, Quarterly Figures (Confidence rating on scale of 0-100)



Source: Northern Economics

Overall Alaska Confidence Index
(Confidence rating on scale of 0-100)



Source: Northern Economics

ALASKA'S QUARTERLY ECONOMIC REPORT
FIRST QUARTER, 2018

